

# **Environmental, Social, Governance:**

## **A BUSINESS PRIMER**

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**PREPARED FOR**  
**County of Chautauqua**  
**Industrial Development Agency (CCIDA)**

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County of Chautauqua Industrial Development Agency

# Environmental, Social, Governance: A Business Primer

## Preface

Businesses, especially manufacturers, throughout the United States, New York State, Western New York, and Chautauqua County must constantly compete for business, for investment, and especially for skilled workers. These businesses are an important part of their local community and play a critical role in establishing and sustaining a desirable quality of life in their region by providing employment, tax revenues, and other economic benefits while (potentially) enhancing the culture and overall health of their community. Manufacturing companies, in particular, have the potential to grow faster than their communities by exporting their products to other states and/or internationally. These quality of life considerations are increasingly important as workers, particularly younger workers, are looking for meaning and purpose in their chosen careers as much as compensation and benefits.<sup>1</sup>

An approach that embraces some of these diverse considerations has emerged from the investment community, variously referred to as Socially Responsible Investing (SRI), Corporate Social Responsibility (CSR), or ESG (Environmental, Social, and Governance), which recognize the linkage between a business' long-term success, particularly in attracting and retaining skilled workers, and its business purpose and role in the community. Those businesses with better ESG performance are considered by some to be more responsible citizens, and thus are more attractive as a working destination by a certain demographic. Such companies make a positive contribution through their products and services, as well as their broader contribution to the community. As a result, these companies develop a good brand image, positively engage a broader range of stakeholders, and are more likely to avoid scandals, fines, and censure, all while minimizing their environmental impact. These factors have the potential to improve the companies' ability to recruit and retain people, especially younger more discerning individuals, thereby perpetuating this virtuous cycle.

The County of Chautauqua Industrial Development Agency (CCIDA) understands this dynamic and seeks to support Chautauqua manufacturers with an ESG program to facilitate their pursuit of the "triple bottom line" of profit, people, and planet,<sup>2</sup> thereby increasing the competitiveness of those manufacturers while supporting and furthering a high quality of life in the county. To that end, CCIDA has commissioned this ESG Business Primer to provide the background and guidance to enable interested manufacturers (and other businesses) to understand and undertake their own ESG improvement efforts.

Please note that this program is not meant to advance a social agenda, but rather to help Chautauqua manufacturers to attract and retain workforce in order to sustain and grow their

<sup>1</sup> <https://www.bizjournals.com/buffalo/news/2022/04/29/linita-design-manufacturing-compensation.html>

<sup>2</sup> <https://www.investopedia.com/terms/t/triple-bottom-line.asp#:~:text=What%20is%20the%20Triple%20Bottom,%2C%20people%2C%20and%20the%20planet.>

businesses. Having competitive compensation and benefits, as well as a “good” culture, are the minimum requirements in the current job market for attracting and retaining a motivated and loyal workforce. And tools such as [Glassdoor](#), [LinkedIn](#), and others make it increasingly easy for potential employees to assess these items. Although there is no absolute standard for what is or is not included in ESG, it clearly encompasses much more than just compensation and benefits by any definition.

To benefit from an ESG initiative, a company must make a commitment to understanding and improving its ESG performance and sharing that progress with staff and potential employees. Failure to follow through on such a program could damage the credibility of the company and could become a detriment to retention and attraction initiatives. But “follow through” in this case means a good faith effort to make improvements in some, though not necessary all, aspects of ESG. Many companies may be surprised to find improvement opportunities that are relatively simple, low cost, and high-visibility (at least initially). For example, publishing written values, maintaining an employee handbook, or even developing an up-to-date organization chart can further a company’s ESG efforts. Over time, however, ESG progress is likely to be incremental and perhaps more difficult and expensive as the “low hanging fruit” is implemented, leaving more challenging opportunities for ESG improvement.

In Part 1, this primer will define key aspects of ESG and provide references, links, tools, and examples, when possible, to inform and guide manufacturers in understanding and ultimately in managing and improving their own ESG performance. Part 2 will be devoted to specific steps you can take to harness ESG to improve your business and maximize your attractiveness to current and future employees.

## Part 1: What is ESG?

There is no universally agreed upon definition of ESG, but it is clear that ESG encompasses a wide range of issues that affect every facet of a business and are indicative of the “social responsibility” of any given company to employees, stakeholders, and the community at large. Aspects of the ESG concept first gained traction in the agricultural sector in the 1950s, relative to exploitation of agricultural workers, and in the investment community beginning in the 1960s with efforts to spur colleges, universities, pension funds, and other investors to divest from South Africa during the apartheid era.<sup>3</sup> Since then, Socially Responsible Investing (SRI) has continued to gain traction and broaden beyond investment choices and regulatory compliance to include actions that enhance a company’s ESG performance, reputation and, importantly, its financial performance, by limiting certain reputational risks from inequities and even scandals.

There is also evidence that companies with an ESG focus perform better. According to Larry Fink, the CEO of BlackRock Inc., an influential investment management company “companies with better ESG profiles are performing better than their peers, enjoying a ‘sustainability premium.’”<sup>4</sup> More proactively, certain companies have fashioned themselves “social enterprises” which exist specifically to accomplish social good, even as they generate revenue in order to sustain themselves. Tom’s Shoes, for example, was started by its founder as a social enterprise that would deliver a free pair of shoes to underprivileged children for every pair of shoes sold.<sup>5</sup> Other manufacturers have discovered that attending to ESG concerns has made their company more competitive and more profitable. Interface, Inc., a carpet and flooring manufacturer that pioneered carpet tiles (in part to minimize scrap and waste) has proven that incorporating environmental sustainability considerations into product development, manufacturing, and every aspect of their business has resulted in lower costs and higher profits.<sup>6</sup>

ESG is not a luxury limited to large, multinational companies. Even small, local companies are engaged. A coffee manufacturer in WNY became a supplier to Walmart and received a supplier survey inquiring about their environmental practices. The coffee producer commissioned a ‘carbon footprint’ for their business to establish a baseline to seek opportunities for improvement. After learning that their delivery fleet accounted for the largest portion of their greenhouse emissions, they converted to liquid natural gas (LNG) vehicles, substantially improving their carbon footprint. This company went on to develop a full product line with sustainability in mind, incorporating sustainably-sourced, Fair Market coffee complemented by completely biodegradable packaging.

What is clear, as these examples illustrate, is that the ESG aspects that might come into play for any given company are unique to that company, depending, in the case of manufacturers, on what they make, how they make it, who makes it, how they package it, how they transport it, how the firm is managed, and even how the firm invests its profits, pension funds, etc. This paper will point out a number of such considerations with examples, but these are only the tip of

<sup>3</sup> <https://www.investopedia.com/news/history-impact-investing/>

<sup>4</sup> <https://www.blackrock.com/us/individual/2021-larry-fink-ceo-letter>

<sup>5</sup> [https://en.wikipedia.org/wiki/Toms\\_Shoes](https://en.wikipedia.org/wiki/Toms_Shoes)

<sup>6</sup> [https://www.interface.com/CA/en-CA/sustainability/our-journey-en\\_CA](https://www.interface.com/CA/en-CA/sustainability/our-journey-en_CA)

the iceberg. Given the infinite number of possibilities and in the absence of a universally-agreed definition, any company undertaking an ESG effort must recognize that their situation will be unique and it will be up to them to identify the ESG issues and risks that exist for their organization.

While ESG considerations can be applied to every company activity, it is only logical that companies would prioritize certain issues and areas for ESG scrutiny and action based on their relative importance, visibility, or impact. If an organization wants to improve its workforce recruiting and retention, than ESG issues that touch direct employees would logically be a high priority. In short, it's unreasonable to think any company could or should address EVERY possible ESG issue that may attach to its business, but rather companies should prioritize what they will address based on their constraints. Similarly, no business can immediately and completely 'solve' every ESG issue, even those which it chooses to address. Rather, the goal should be to systematically improve those priority ESG issues it has prioritized by instituting improvements, metrics, and raising visibility.

## ***E = Environmental***

The environmental portion of ESG refers to any and all activities of a business which have an impact on the environment, from creation of greenhouse gases or hazardous waste, to resource consumption (water, minerals, etc.) and end-of-life product recycling. The [Western New York Sustainable Business Roundtable](#) is a collaborative comprised of over 70 area organizations, including over a dozen manufacturers, committed to improving the sustainability of their company and other member companies.

As with other aspects of ESG, the specific issues for any given manufacturer will be unique to that company's situation, although certain considerations such as greenhouse gases apply to every company, including non-manufacturing organizations. The items below are examples of environmental issues that many manufacturers face, but it is by no means a comprehensive list.

**Greenhouse Gas (GHG)** --primarily carbon dioxide, methane, nitrous oxide and man-made fluorinated gases—trap heat in the atmosphere thereby contributing to global warming. Almost any human activity that requires energy may contribute to GHG emissions including running a manufacturing plant—its lighting, machinery, furnaces, etc.—even if GHG is not being produced on site. For example, the electricity a plant pulls from the electric grid must still be generated, thus the plant has a pro rata hand in any GHG produced to create that electricity which the company consumes, unless that electricity is produced using water, wind, solar or other non-greenhouse-gas-producing technologies. This same attribution concept also means that any GHG produced by workers commuting to the plant or traveling for business purposes (sales calls, meetings, inbound/outbound shipping, etc.) is also part of the company's "carbon footprint." As a result, almost every manufacturer or business of any kind contributes to GHG emissions to some extent, therefore those companies have the opportunity to take steps to minimize or even eliminate those GHGs by employing high-efficiency equipment, tapping into clean energy sources like hydro or solar power, and/or offsetting the company's production of GHG through carbon capture or sequestration (such as planting trees), carbon offsets (such as the [Carbon Fund](#)), or similar strategies.

The first step in addressing GHG emissions is to complete a "carbon footprint" of the business to establish a baseline which can be monitored and, ideally, improved upon, for GHG. There

are any number of carbon footprinting tools available for this purpose, including from the [Nature Conservancy](#) and [Carbon Footprint, Ltd.](#), among others.

**Pollution** is the introduction of harmful materials into the environment and, for our purposes, refers to materials created by human activity, such as trash, chemicals and run-off that can harm the quality of the air, water or land. We have already discussed GHG, which is a subset of pollution. Other examples related to manufacturing might range from packaging waste and production scrap, to organic volatiles from cleaning solutions and even hazardous wastes from chemical processing. Pollution also includes such things as pesticides or chemical fertilizers used in agriculture and/or landscaping, and rainwater run-off from facility roofs and parking lots, which may carry motor oil or other chemicals into local waterways or sewer systems.

Understanding your pollution situation begins, again, by measuring the amounts and types of pollution the company generates to establish a baseline. With this knowledge in mind, specific actions can be identified, implemented and monitored to improve the situation. One option is to employ an environmental management system such as [ISO14000](#) which is flexible, appropriate for businesses of different sizes, including small companies, and has the added benefit of being an internationally recognized standard, something which should be helpful as customers increasingly seek out suppliers that are ESG friendly. There are also technical resources available that can assist in addressing specific issues. For example, the [New York State Pollution Prevention Institute \(NYSP2I\)](#), part of Rochester Institute of Technology's Golisano Institute, employs tools and expert capabilities to assist companies with a broad range of issues from pollution prevention and supply chain sustainability to food waste diversion and life cycle assessments. Many of these services are subsidized by New York State and/or covered by grant funds to offset a significant portion of the cost involved.

**Resource Usage and Consumption** refers to the use of non-renewable and renewable resources such as minerals, water, trees (logging, deforestation), animals (overfishing, overhunting), and even land. Typically, resource consumption is measured in terms of *intensity* (total amount of a resource consumed) and *efficiency* (resource consumption per unit of production). Since every manufacturing operation has inputs, every manufacturing operation consumes resources—metals for a machine shop, wood and leather for a furniture maker, plants and/or animals for a food processor, etc.—and can reduce that consumption through improved efficiency, recycling or replacement. This could include, for example, replacing leather with plastic in gloves or furniture; filtering, rinsing, or cooling water for reuse rather than discharge; or changing a catalyst in a chemical process to reduce hazardous waste and/ or improve efficiency. <https://www.footprintnetwork.org/>

## S = Social

The social aspect of ESG focuses on the impact the company has on its people, its community, and the people and communities in which it conducts business. It is easiest both to imagine and to observe the direct impacts a company has on its employees, ranging from compensation and benefits to training and career progression. The affect a business has in its community may also be relatively obvious both through its employees, who typically live in the area, and from any direct company engagement in philanthropy, public service, sponsorships and similar activities. By improving its community, a company makes that community more attractive to both current employees and future recruits, which may benefit the company's hiring and retention efforts. A tremendous example of community engagement in WNY is Harmac Medical



Products whose award-winning [Bailey Green](#) program has improved its neighborhood through activities ranging from paying for new sidewalks and bus stop shelters to refurbishing abandoned houses, creating public greenspaces and starting community gardens. Harmac has undertaken similar activities at its locations in Ireland and Mexico.

Harder to see, but no less real, are the same affects that are produced in communities far from a company's location where its suppliers, customers and partners are located. However, these relationships can still significantly impact a company's brand and reputation. For example, many examples exist of companies embroiled in scandals as a result of their suppliers' practices, including leading brands such as Apple, Nike, and Samsung. These companies can suffer significant damage to their business and reputation, despite the fact that the practices in question are not, strictly speaking, their own practices and may not even have been known to them.

**Compensation & Benefits** include the obvious (salary and healthcare) and the nuanced (pay parity). Competitive compensation and benefits are the minimum requirements for success in workforce recruiting and retention. A critical aspect of compensation is parity or "equal pay for equal work." Much has been written about persistent pay disparities by gender and race, with recent data indicating women earned approximately \$0.84 for every \$1.00 men make,<sup>7</sup> a gap that widened further with race despite the passage of the U.S. Equal Pay Act almost 50 years ago in 1963. These disparities have resulted in scandals and lawsuits for organizations ranging from Google<sup>8</sup> to the U.S. Women's Soccer Team.<sup>9</sup> See [The Society for Human Resources Management \(SHRM\)](#) for resources to assist companies in addressing pay parity by gender and race.

Compensation and benefits can be benchmarked in many ways: from expensive compensation studies by HR consultants, to free internet research using sites such as [Salary.com](#), [Glassdoor.com](#) and [Indeed.com](#), among others. All these resources provide a snapshot in time of the labor market and are less useful in periods of rapid change, as is the case presently.

The culture of your organization is a much more difficult thing to assess and manage since it exists only in the minds of your employees and because it is always changing and evolving. However, employers can offer an array of items that may positively influence culture in the eyes of current and potential employees, such as clear career paths with support for training and advancement or wellness and employee assistance programs (EAPs) that provide support, guidance and even financial incentives for employees.

**Diversity, Equity & Inclusion (DEI)** refers to issues related to the representation and participation in a business of individuals from different ages, races, genders, cultures, sexual orientations, abilities and disabilities. It has long been an axiom that more diverse groups make better decisions as the varied perspectives of the members increase the likelihood that all aspects of an issue are identified and considered. According to data compiled by McKinsey & Company, "the most diverse companies are now more likely than ever to outperform less diverse peers on profitability."<sup>10</sup> McKinsey's data is based specifically on business' leadership diversity in gender, ethnicity and culture. Some organizations have responded by creating an internal position to promote and advance DEI within the company, although there is also an

<sup>7</sup> <https://www.businessinsider.com/gender-wage-pay-gap-charts-2017-3>

<sup>8</sup> <https://www.theguardian.com/technology/2020/jul/22/google-gender-pay-discrimination-lawsuit#:~:text=Women%20at%20Google%20make%20an,study%20cited%20in%20the%20lawsuit.>

<sup>9</sup> <https://www.nytimes.com/2022/02/22/sports/soccer/us-womens-soccer-equal-pay.html>

<sup>10</sup> <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>

argument to look outside the company for such support.<sup>11</sup> From a practical perspective, there is little quantitative guidance available on what sort of representation is required to make a business diverse. Experts advise focusing on the trip, not the destination, by measuring “effort” rather than “outcomes.” [SHRM](#) does offer practical suggestions on developing a DEI initiative.<sup>12</sup> Among their recommendations is identifying any barriers which might be impeding diversity in the company such as unconscious biases. The [Greater Buffalo Racial Equity Roundtable](#) offers a venue for organizations to tackle DEI, including supporting data, resources, training and initiatives.

**Safety, Health & Wellness** does not refer to health insurance, but rather to a range of items from on-the-job safety to employee assistance plans (EAP) that offer mental health and other forms of wellness support. Safety is a critical concern for most manufacturers and has led many to establish safety teams complete with periodic prizes or cash rewards for workers to incentivize safe behaviors. Such safety thinking can extend to include personal safety and supplier safety performance requirements. This is especially true in the chemical industry and similar sectors where lax safety could result in disaster, not only for the company in question, but also for its neighbors in areas like Pasadena, Texas where chemical companies share close quarters. The old DuPont Chemical was renowned for a relentless focus on safety that became a cornerstone of its corporate culture. This stemmed from its founding as a manufacturer of gun powder in 1802,<sup>13 14</sup> through its evolution into an innovative chemical company and inventor of nylon and rayon (among other things), and ultimately resulted in the spin-off of DSS+ (formerly known as DuPont Sustainable Solutions) which consults with other companies on safety performance based on DuPont’s decades of experience.<sup>15</sup>

**Supplier and Subcontractor impacts** would include a range of factors experienced by the employees of suppliers or subcontractors as a result of their business with the company, but can also refer to broader community impacts that result from the actions of Suppliers and Subcontractors. In the worst case scenarios, businesses have been tainted by allegations against their suppliers and subcontractors ranging from slavery, human trafficking and child labor violations, to bribery, corruption or similar problems. Companies as powerful as Apple, Nike, Samsung and Alcatel-Lucent<sup>16 17 18 19</sup> have been implicated and damaged by these types of scandals. One way to address such risks is through the concept of Fair Trade, which emerged in the 1950s, to address concerns over working conditions, environmental protections, and sustainable livelihoods. This was especially true for the treatment of workers related to agricultural products like coffee, bananas, and cocoa through organizations such as [Fair](#)

<sup>11</sup> [https://www.bizjournals.com/buffalo/news/2022/05/19/diversity-equity-inclusivity-initiatives.html?utm\\_source=st&utm\\_medium=en&utm\\_campaign=me&utm\\_content=bu&ana=e\\_bu\\_me&j=27764940&senddate=2022-05-19](https://www.bizjournals.com/buffalo/news/2022/05/19/diversity-equity-inclusivity-initiatives.html?utm_source=st&utm_medium=en&utm_campaign=me&utm_content=bu&ana=e_bu_me&j=27764940&senddate=2022-05-19)

<sup>12</sup> <https://www.shrm.org/resourcesandtools/tools-and-samples/how-to-guides/pages/how-to-develop-a-diversity-and-inclusion-initiative.aspx>

<sup>13</sup> <https://www.dupont.com/news/safety-at-our-core.html>

<sup>14</sup> <https://www.wiley.com/en-us/Industrial+Safety+is+Good+Business%3A+The+DuPont+Story-p-9780471286288>

<sup>15</sup> [https://www.consultdss.com/dssplus/?utm\\_source=dss-en&utm\\_medium=website&utm\\_campaign=newdss](https://www.consultdss.com/dssplus/?utm_source=dss-en&utm_medium=website&utm_campaign=newdss)

<sup>16</sup> <https://www.thefashionlaw.com/visibility-is-central-to-a-successful-supply-chain-heres-what-brands-need-to-know/>

<sup>17</sup> <https://www.bloomberg.com/news/articles/2021-05-31/apple-claims-progress-in-supply-chain-no-child-labor-cases>

<sup>18</sup> <https://qz.com/1811305/nike-apple-linked-to-forced-ughur-labor-in-china-report-says/>

<sup>19</sup> <https://www.investopedia.com/financial-edge/0512/the-biggest-bribe-cases-in-business-history.aspx>



**Trade.**<sup>20</sup> Fair Trade USA now offers [Fair Trade Certification](#) to companies who agree to follow and promote certain standards including the Factory Standard for Apparel and Home Goods (FS) version 1.4.0. The key point is to have in place policies and procedures to ensure that suppliers and subcontractors live up to standards that are defined by an independent, third-party. In the absence of such a standard, a company may establish its own policies and procedures, as well as audit processes, in order to manage their supplier and subcontractor relationships in order to reduce, minimize, or eliminate the potential for the kind of exploitation mentioned above.

**Community Involvement** also factors into Social considerations since contributions of hours or funds to their communities typically better those communities and the lives of those who live there. Such philanthropy and/or “popular” activities, may also garner favor with current and/or potential employees and other community members. Conversely, companies that invest in “unpopular” causes may damage their brand, even if the causes are objectively positive. We are not referring to compliance with laws and regulations, which is obviously mandatory, but rather to activities that are legal but may be controversial or unpopular with certain groups. For example, divestment in South Africa during apartheid was not legally required, but significant societal pressure was exerted on companies that did business in South Africa, or even invested in the stocks of companies that did business in South Africa, and were otherwise seen as supporting apartheid. A more recent example has been the pressure and negative publicity applied to companies (including those as varied as AstraZeneca, Credit Suisse, Emirates Airlines and McDonalds) that continued, at least initially, to do business in Russia after their invasion of Ukraine.<sup>21</sup> Many of these companies argued that shutting down would unfairly effect their workforce. What is or is not popular is usually in the eye of the beholder, so it is important to have established values and policies to guide community involvement, philanthropy and political contributions.

## G = Governance

Governance looks beyond management to encompass the structure and independence of management oversight, financial controls and transparency, corporate values and policies, and how these things are enforced and communicated to everyone in the business all the way down to organizational charts and job descriptions.

**Corporate oversight** refers to the structure and type of management and non-management oversight a company has in place. It is generally accepted that an independent, fiduciary Board of Directors is the gold standard in this regard because it theoretically provides objective accountability and oversight for the company in the name of shareholders/owners. An independent board that contributes a range of key skills and experiences takes time and effort to assemble and maintain. Compare this to companies that have no independent oversight, i.e., a privately-held company with an owner/operator serving as president & CEO who is accountable to no one except, perhaps, the company’s banker. These are the two ends of the oversight spectrum and there is plenty of room in between with options ranging from non-fiduciary advisory boards to informal advisors, individually or in groups, with no formal

<sup>20</sup> <https://www.forbes.com/sites/amyschoenberger/2018/12/14/what-exactly-is-fair-trade-and-why-should-we-care/?sh=10e311ff7894>

<sup>21</sup> <https://fortune.com/2022/03/25/besides-koch-industries-halliburton-and-subway-which-companies-are-still-operating-in-russia-more-than-you-might-think/>

responsibility or authority. Nevertheless, any additional input, opinions, advice, thoughts, questions, etc. have the potential to improve decision making, which offers some protection and benefit to the business.

Beyond structure, a key responsibility of oversight is risk management. As more governments and businesses follow the investment community in seeking or requiring ESG disclosures, for instance, the more important it will be for companies to add ESG risks to the operational, competitive and financial risk categories that they already manage. For example, there is an argument to be made that any ISO-certified manufacturer charged with risk management should need to acknowledge and address ESG risks to be in compliance with the standard.

By explicitly taking ESG concerns into account, for risk management or other reasons, businesses can take an important step in making ESG considerations and thinking part of the company's culture. Better still, those considerations can be guaranteed by writing ESG concerns into the company's values.

**Written Values, Policies & Procedures** provide the foundation upon which a company's activity and performance is built. By documenting and sharing company values, the business is setting expectations for itself, its employees, and even its suppliers and subcontractors. For example, including commitments to build ESG considerations into running the business empowers managers and employees to take these issues into account when making decisions at their individual level. Written policies and procedures also provide basic instructions on how to handle conflicts of interest, complaints, corrective actions, and other fundamental business processes.

**Financial transparency** refers to the quality and type of financial reporting and, particularly, the extent to which that information is shared. Publicly held companies that fully disclose externally audited financial statements annually provide the highest level of financial accountability. In the United States, these financial audits are conducted according to generally accepted accounting standards (GAAS). Financials may also be reviewed, which provides a limited level of assurance, or simply compiled, which provides no assurance since no tests are applied and financial controls are not examined.

Financial transparency also refers to the extent to which financials are shared with the employees and, potentially, others. Many privately-held companies choose not share their financials with employees, perhaps out of concern that the information will make its way to competitors, tax authorities, or organized labor. It might also be the case that the information might elicit calls for increased compensation or benefits for the rank and file. On the other hand, informing employees may increase their understanding and alignment with the organization, leading to improved performance and decision making at all levels, while simultaneously managing expectations.

**Organizational charts and job descriptions** are another means of communicating critical information regarding the management structure of the company so that employees understand what is required of them, as well as communicating the hierarchy of the business. There are companies with out-of-date org charts or, in some cases, small companies with no org charts at all. Both cases increase the potential for confusion and inefficiency, especially when dealing with exceptions. Written job descriptions serve a similar function by clearly defining the roles and responsibilities of certain jobs. It is even more common to have out-of-date or non-existent job descriptions, especially since some feel job descriptions limit flexibility by prescribing what the job does (and therefore does not) entail. Accurate org charts and job descriptions are

relatively easy, low-cost opportunities to improve a company's internal communication and its performance.

**Employee engagement and input** refers to mechanisms to ensure that employees are engaged, and that their opinions are factored into corporate decision making. Examples of such mechanisms range from the old-fashioned suggestion box, to more proactive efforts such as president/CEO lunch & listen sessions<sup>22 23</sup> with employees. Newer online tools, for example [2DaysMood](#), can also improve employee engagement and solicit direct input on questions of interest, as well as provide management with empirical, trending data on employees' moods. Employee surveys can perform a similar function, albeit not on a continuous basis. Finally, typical measures of employee engagement, including offer acceptance and turnover/attrition rates, provide feedback on a company's overall workforce recruiting and retention efforts.

**Employee handbooks** are where much of the information above is brought together to provide a comprehensive picture of the company and its expectations, from an employee's perspective. It is actually one of the best tools for management, as well as the Board of Directors, to communicate with the workforce as a whole. A good employee handbook is a useful tool for onboarding new employees, as well as providing ongoing support and guidance for current employees, while serving as a touchstone for managers.

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[https://appleinsider.com/articles/12/05/24/apple\\_ceo\\_tim\\_cook\\_often\\_sits\\_with\\_random\\_employees\\_at\\_lunch](https://appleinsider.com/articles/12/05/24/apple_ceo_tim_cook_often_sits_with_random_employees_at_lunch)

23 <https://www.forbes.com/sites/christinecomaford/2016/05/07/great-leaders-discover-hidden-talent-during-lunch-breaks-now-you-can-too/?sh=655e91774e17>

## Part 2: Implementing ESG

The purpose of this primer is to assist Chautauqua County manufacturers to attract and retain workforce by using ESG concepts to make themselves an employer of choice among both prospective and current employees. Part 1 explained ESG with the help of examples, links, and resources. Part 2 will offer some practical advice and tools to help you put ESG concepts to work in your business.

**Key Considerations:** Making progress in any change initiative can be generalized into some basic, logical steps—figure out your starting point, identify what changes you will make, implement those changes, measure your results, and repeat the cycle. This iterative improvement approach is recommended for ESG initiatives rather than a “transformational” effort, because of the sheer amount and extent of the work and the current lack of clear, agreed upon standards in certain ESG areas.

**Establish a baseline:** The first step in any improvement plan is understanding where the business is currently, something we might call your “Current State.” This baseline becomes the starting point from which to measure progress and results, so the Current State should be as objective and quantifiable as possible. Start by identifying those areas you want to improve. For example, since our primary purpose is workforce attraction and retention, you might start with those items that touch employees:

- Do you have current documentation for your organization’s purpose (beyond just making money) and company values?
- Do you have up-to-date org charts? Job descriptions? A current employee handbook?
- Do you already conduct regularly scheduled (quarterly or annual) “Town Hall Meetings” to inform everyone in the company about where you are relative to your strategic initiatives, budget, actual performance, course changes/corrections, etc.?
- Are there mechanisms and/or tools in place to solicit employee input such as suggestion boxes, “lunch with the president,” or similar anonymous, digital tools that enable employees to communicate with management?
- Do you have measures for employee satisfaction? If not, you can look at related data, for example your employee current turnover rate, average number of years with the company, annual reviews (% exceeds expectations, % meets expectations, % fails to meet expectations), etc.

One option is to utilize an existing assessment tool from an independent, third-party entity which offers a level objectivity and credibility. [B Labs](#) is such an entity that offers a comprehensive, quantitative assessment, certification, and benchmarking with all other B Labs certified companies. Their [B Corp Certification](#) indicates “that a business is meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials.”<sup>24</sup> However, third party assessors come with drawbacks as well, ranging from the cost of their services to the requirements that they impose. In the case of B Corp certification, there is an annual fee<sup>25</sup> and a number of requirements including that candidate companies must:

<sup>24</sup> <https://www.bcorporation.net/en-us/certification>

<sup>25</sup> See Appendix 2 of this document

- “Demonstrate high social and environmental performance by achieving a B Impact Assessment score of 80 or above and passing their risk review. Multinational corporations must also meet baseline requirement standards.
- Make a legal commitment by changing their corporate governance structure to be accountable to all stakeholders, not just shareholders, and achieve benefit corporation status if available in their jurisdiction.
- Exhibit transparency by allowing information about their performance measured against B Lab’s standards to be publicly available on their B Corp profile on B Lab’s website.

Another option would be a self-administered program which allows each company to make its own judgements and improvements. To facilitate this approach, we have provided an ESG Self-Assessment Tool (ESAT), see Appendix 4. This requires the company to answer a short set of questions to identify your organization’s ESG strengths and weaknesses in certain areas such as Communication, People, Suppliers, etc. Then use these findings to point you towards ESG targets of opportunity as you begin to consider improvement initiatives. Once you have identified these areas, you are ready to design and launch improvement initiatives to move from your Current State to your desired state or “Future State” using the PDCA process.

**Plan, Do, Check, Act (PDCA):** Also known as the Demming Cycle after W. Edwards Demming<sup>26</sup>, PDCA is a repeatable approach to continuous improvement or iterative change, as in:

- **Plan** your first initiative(s) using the findings of the assessment and/or your baseline;
- **Do** it or implement it by making the changes necessary to produce the desired result;
- **Check** or assess the results of your effort (which implies that you have identified metrics); and
- **Act** or adjust until you have achieved the desired result. Then repeat the cycle.

Given the extent and scope of ESG considerations, most organizations can ONLY take an iterative approach to implementing ESG. Even if a major customer were to “require” the company to meet certain ESG requirements in order to remain a supplier in good-standing, that customer is likely to recognize that ESG is a major undertaking that will require time to correctly implement and manage. The breadth of ESG possibilities makes prioritization and focus essential to your success. One logical option is to plot possible ESG initiatives using a number of factors such as the impact the change is expected to have on your employee recruiting and retention efforts, the ease or speed of implementation, the cost involved, etc. Plotting your options on a simple matrix (see example below) might facilitate your prioritization and decision making.

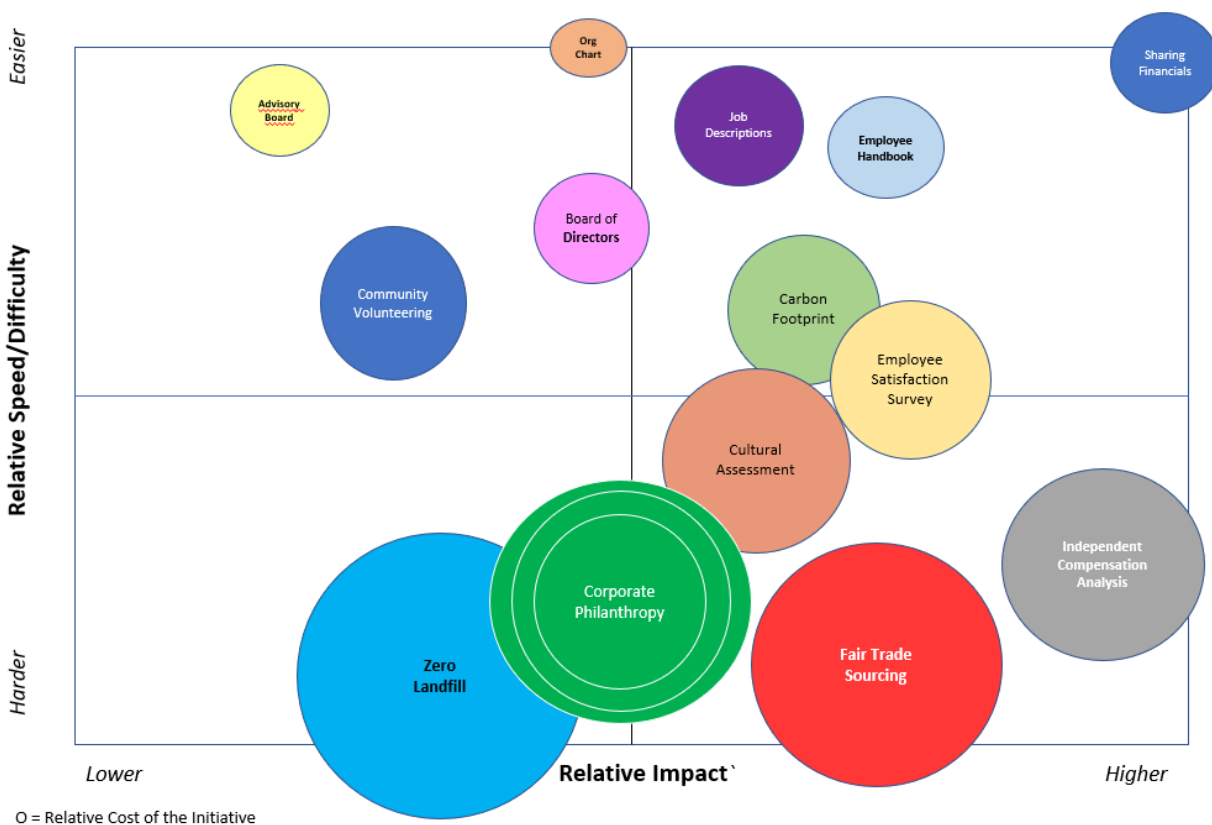
**NOTE:** *This matrix exercise is specific to each company’s situation and, although subjective, can be useful in understanding and comparing various options. To populate the matrix, begin by making a list of opportunities. For each opportunity, rate the relative speed and ease of implementation, the relative impact, and the expected cost.*

*For example, if a company does not have a formal/published org chart, it might be a quick and easy initiative to create one if the company’s hierarchy is well-established and understood. However, if this is not the case, the org chart initiative might be much more difficult and time consuming given the need to get management clarity and agreement before a chart can be drawn.*

<sup>26</sup> [https://en.wikipedia.org/wiki/W.\\_Edwards\\_Deming](https://en.wikipedia.org/wiki/W._Edwards_Deming)

The next step would be to assess the relative impact from having published a formal org chart. If there is confusion about reporting relationships, then the impact of a formal org chart would presumably be very substantial. If everyone understands and agrees upon the unwritten reporting structure, the impact of a formal org chart may not be great, but could still be useful in demonstrating the company's commitment to making improvements.

Finally, after plotting the position of the initiative relative to speed/ease of implementation and impact, determine the size of the bubble based on the cost which the effort will require. The org chart initiative could be quick, easy, and cheap, or it might require significant time and attention from management to resolve uncertainties and communicate that information to all those involved before anyone can even put pen to paper thereby making it slow and costly. Repeat this thought process for all the initiatives identified as priorities until they are appropriately represented on your matrix, and use this information to guide your prioritization and implementation plans.



In the example above, the speed/ease, impact, and relatively low cost initiatives identified include sharing financials, creating an Employee Handbook, and updating Job Descriptions emerge as early priorities. From a change management perspective, it is always helpful and recommended that the organization identify “low-hanging fruit” to start, which are simple and visible initiatives that can be successfully completed quickly to generate momentum, enthusiasm, and confidence in the overall effort.

Once an initiative or project has been selected for implementation, identify the steps required to move from your Current State to your desired Future State. For an Employee Handbook, for example, what information will be included? Where/who can provide that information, or will



some of it have to be developed (e.g., a Whistleblower Policy or a 401(k) program)? What resources will be needed? How long will it take? What other competing priorities are there? Once these questions are answered, projects can be launched, changes made and results measured using the performance metrics you previously identified. Once you're satisfied, repeat the process with the next priority initiatives. If you encounter constraints in time or resources, slow the process down. If you are not satisfied with the results or the speed of implementation, consider external resources such as coaches or consultants who can provide expertise and resources and minimize the company resources that must be pulled from day-to-day operations.

**Leading & Managing Change:** Successful change initiatives of any kind typically share certain characteristics. The first characteristic is leadership's commitment and support. This is an essential ingredient, especially for ESG, since it is so far-reaching and affects many different parts of the business. Unless senior leadership, that is the CEO, president, and Board of Directors, are onboard and willing to demonstrate their support, then an ESG effort is likely to flounder, if not immediately, then eventually. In fact, this is such a critical requirement, that a company would typically be better off not beginning an ESG program at all if the requisite senior support is not assured. Failing to deliver on a program of this type is arguably more damaging to an organization's confidence and morale than not starting the program in the first place.

Communication is the other essential ingredient for a successful project or program, especially one as pervasive as ESG. It is important that everyone in the organization understand before beginning why this initiative is needed, what it will do, what benefits are expected, and how everyone must contribute. Then, as the project gets underway, periodic updates describing what has been done, the results that have been measured, and the next steps will keep the organization and its employees engaged. We would even recommend celebrating the project's successes and the improvements that have been measured. Communication is, ideally, two-way. That being said, there must be mechanisms in place to facilitate interactive communication during the course of the project for those departments and employees that are not actively involved. One mechanism for this would be an online question and answer function, which publishes anonymous employee questions and the company's answers. This is often called FAQ or Frequently Asked Questions. This ensures that everyone has a place to go for both questions and answers about the project.

## APPENDIX 1: ESG Resources & Links

B Corp: <https://bcorporation.net/>

Carbon Footprint Ltd: <https://www.carbonfootprint.com/aboutus.html>

Fair Trade: <https://www.fairtradecertified.org/>  
<https://www.fairtrade.net/>

Greater Buffalo Racial Equity Roundtable: <https://racialequitybuffalo.org/>

Nature Conservancy: <https://www.nature.org/en-us/what-we-do/our-insights/data-and-tools/>

NYS Pollution Prevention Institute (P2I): <https://www.rit.edu/affiliate/nysp2i/>

Society for Human Resources Management (SHRM): <https://www.shrm.org/>

U.S. Environmental Protection Agency (EPA) <https://www.epa.gov/>

U.S. Environmental Protection Agency, Smart Steps to Sustainability:  
[https://www.epa.gov/sites/default/files/documents/smart\\_steps\\_greening\\_guide.pdf](https://www.epa.gov/sites/default/files/documents/smart_steps_greening_guide.pdf)

WNY Sustainable Business Roundtable: <https://www.wri.org/>

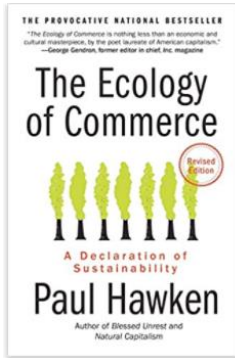
World Resources Institute: <https://www.wri.org/>

The Forum for Sustainable and Responsible Investment (US SIF): <https://www.ussif.org/>

THESIS (The Sustainability Insight System): <https://sustainabilityconsortium.org/thesis/>

Your Cause: <https://solutions.yourcause.com/csr/>

## APPENDIX 2: ESG Books & Articles



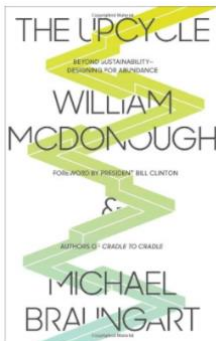
**The Ecology of Commerce**  
by Paul Hawken



**Cradle to Grave: Remaking the Way We Make Things**  
by Michael Braungart



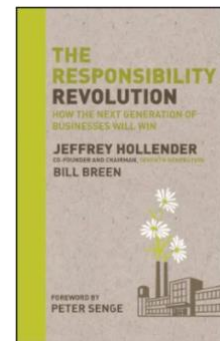
**Natural Capitalism: Creating the Next Industrial Revolution**  
by Paul Hawken



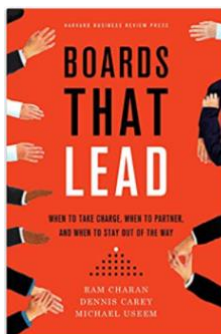
**The Upcycle**  
by William McDonough  
and Michael Braungart



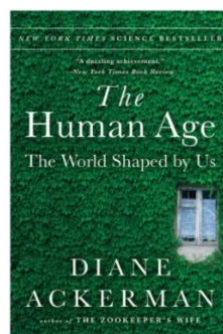
**The Good Jobs Strategy:  
How the Smartest Companies  
Invest in Employees...**  
by Zeynep Ton



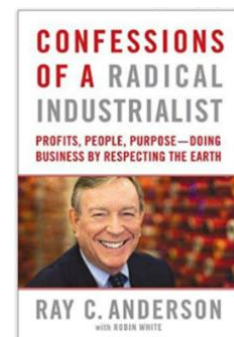
**The Responsibility Revolution:  
How the Next Generation of  
Businesses Will Win**  
by Jeff Hollender & Bill Breen



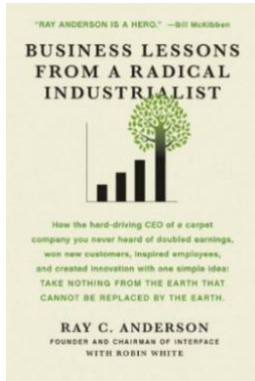
**Boards That Lead**  
by Ram Charan, Dennis  
Carey & Michael Useem



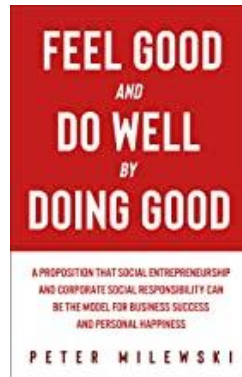
**The Human Age:  
The World Shaped by Us**  
by Diane Ackerman



**Confessions of a  
Radical Industrialist**  
by Ray C. Anderson



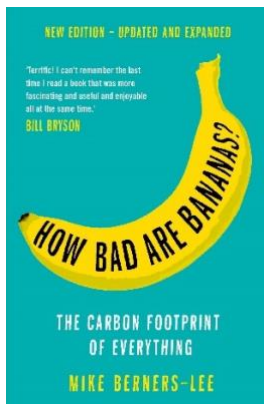
**Business Lessons from a Radical Industrialist**  
by Ray C. Anderson



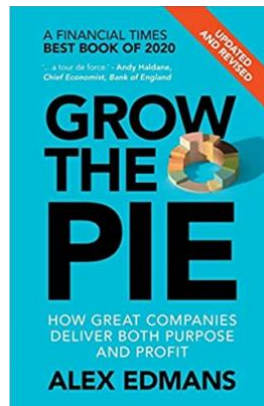
**Feel Good and Do Well by Doing Good**  
by Peter Milewski



**Design Before You Design**  
by Jacob DeNeui



**How Bad Are Bananas? The Carbon Footprint Both Purpose and Profit**  
by Mike Berners-Lee



**Grow the Pie**  
How Great Companies Deliver  
by Alex Edmans



**The Truth About Green Business of Everything**  
by Gil Friend

<https://www.fastcompany.com/90235407/how-a-carpet-maker-became-an-unlikely-hero-of-the-environmental-movement>

## APPENDIX 3:



To finalize certification, sign the B Corp Declaration of Interdependence and your B Corp Agreement, and pay your annual certification fees according to the pricing schedule below.

### Current Pricing Structure

Annual Sales	Annual Certification Fee
\$0- \$149,999	\$1,000
\$150,000 - \$499,999	\$1,100
\$500,000 - \$699,999	\$1,200
\$700,000 - \$999,999	\$1,300
\$1 MM - \$1.4 MM	\$1,400
\$1.5 MM - \$1.9 MM	\$1,600
\$2 MM - \$2.9 MM	\$1,800
\$3 MM - \$4.9 MM	\$2,000
\$5 MM - \$7.4 MM	\$2,500
\$7.5 MM - \$9.9 MM	\$3,750
\$10 MM - \$14.9 MM	\$6,000
\$15 MM - \$19.9 MM	\$8,500
\$20 MM - \$29.9 MM	\$12,000
\$30 MM - \$49.9 MM	\$16,000
\$50 MM - \$74.9 MM	\$20,000
\$75 MM - \$99.9 MM	\$25,500
\$100 MM - \$174.9 MM	\$30,000
\$175 MM - \$249.9 MM	\$35,000
\$250 MM - \$499.9 MM	\$40,000
\$500 MM - \$749.9 MM	\$45,000
\$750 MM - \$999.9 MM	\$50,000
\$1B+	Based on size and complexity of your business**

Pricing for Canadian companies is in Canadian dollars following the same tiers and prices.

Fees vary by region. Companies in Latin America, East Africa, Europe, the UK, Australia or New Zealand, should see Global Partner websites for local pricing.



## APPENDIX 4: ESG Self-Assessment Tool



View the ESG Self-Assessment tool at [https://bit.ly/ESG\\_PrimerApx4\\_Doc](https://bit.ly/ESG_PrimerApx4_Doc)

Sample input form:

**ESG SELF-ASSESSMENT TOOL**

**Instructions** - For each and every statement below that is true of your organization, type an upper case X into the box, then check Output tab  
**Download this Template Doc** - Select File> Download> Choose to download the file as a Microsoft [x] or for your own private use.

Yes	Weight		Tally	%
<b>Compensation &amp; Benefits</b>				
	1	Does the company monitor the local job market to identify salary & wage disparities and adjust accordingly?	0	
X	2	Does the company offer healthcare and cover 25% of the cost?	2	
X	2	Does the company offer healthcare and cover 50% of the cost?	2	
X	2	Does the company offer healthcare and cover over 50% of the cost?	2	
X	4	Does the company offer a 401(k) or similar retirement savings plan with company match?	4	
X	6	Does the company regularly examine salaries & wages of employees to identify any pay disparities that may exist based on gender and/or race?	6	
X	8	Does the company have a profit sharing and/or company stock ownership plan for all employees?	8	
		<b>SUB-TOTAL</b>	24	96%
<b>Recycling</b>				
X	1	Does the company recycle waste (e.g., paper, plastic, glass, cardboard) including scrap & waste from manufacturing?	1	
X	2	Does the company compost organic wastes (e.g., food, coffee grounds, organics, etc.) including scrap & waste from manufacturing?	2	
X	4	Does the company design your products & packaging to minimize waste over the life of the product?	4	
X	6	Are the company's products & packaging 100% biodegradable?	6	
X	8	Is the company already, or has it made a commitment to be Zero Landfill?	8	
		<b>SUB-TOTAL</b>	21	100%
<b>Governance</b>				
X	1	Does the company have a formal senior management team that meets regularly to discuss the business?	1	
	2	Does the company have an informal/unofficial advisory group (instead of a Board of Directors) whom you sometimes turn to for advice on the business?	0	
	3	Does the company have an official advisory board (instead of a Board of Directors) that meets regularly to evaluate the business and offer advice?	0	
X	5	Does the company have an independent, fiduciary Board of Directors with defined terms, scheduled meetings and the power to hire and fire?	5	
X	6	Does the Board of Directors monitor CEO pay relative to average worker pay and use this as an input for CEO compensation?	6	
X	7	Does the company's senior management team include woman, minorities and other diverse individuals?	7	
X	8	Does the company's advisory group/Advisory Board/Board of Directors include woman, minorities and other diverse individuals?	8	
X	9	Are the roles of Chairman and Chief Executive Officer separated and held by two different people?	9	
		<b>SUB-TOTAL</b>	36	100%
<b>Financials</b>				
X	1	Does the company have an annual budget that is shared with management and used to gauge company performance?	1	
	2	Does the company have annual financials prepared exclusively by internal accounting/finance personnel?	0	
	3	Does the company have annual financials (not an audit) prepared by an external CPA?	0	
X	4	Does the company have an annual, GAAS audit of your financial statements prepared by an independent CPA firm?	4	
X	6	Does the company have an independent audit & finance committee of the Board of Directors to which outside auditors present their findings?	6	
		<b>SUB-TOTAL</b>	11	69%
<b>Communication</b>				
X	1	Does the company have up to date Organization Charts, Job Descriptions and an Employee Handbook that are accessible to all employees?	1	
X	2	Does the company share its annual budget with all employees explaining how each department influences and contributes to financial performance?	2	
X	3	Does the company have a written set of values that is accessible and shared with all employees and systematically used to guide decisionmaking?	3	
X	4	Does the company share and review annual financial statements with all employees and answer questions once a year?	4	
X	5	Does the company hold monthly or quarterly "Town Hall" meetings for all employees to review and discuss financials, company objectives and goals?	5	
X	6	Does the company have anonymous, accessible mechanisms and/or digital tools in place to solicit, encourage and receive employee input?	6	
X	7	Does the company measure and trend employee satisfaction through periodic surveys or other tools to identify and address issues?	7	
X	8	Does the company measure and trend employee satisfaction at least quarterly through surveys or other tools to identify and address issues?	8	
		<b>SUB-TOTAL</b>	36	100%
<b>Pollution</b>				
X	-5	Has the company ever been convicted/pled guilty/paid a fine(s) for an environmental violation(s)?	-5	
X	-1	Has the company ever been cited for environmental issues?	-1	
		Does the company have robust, reliable mechanisms in place to measure and ensure its compliance with all environmental laws and regulations?		
X	1	Does the company measure its carbon footprint at least annually?	1	
X	2	Is the company ISO14000 certified?	2	
X	3	Does the company explicitly design its operations, products and services to minimize environmental impacts?	3	
X	5	Does the company publish actual quantitative environmental performance measures compared to targets at least annually including GHG?	5	
X	7	Does the company publish actual quantitative environmental performance measures compared to targets at least annually including GHG?	7	
		<b>SUB-TOTAL</b>	12	67%
<b>Suppliers</b>				
X	1	Does the company have a formal supplier audit/verification process for prospective and current suppliers?	1	
X	2	Does the company have written requirements for suppliers regarding their labor, working conditions, environmental sustainability?	2	
X	3	Does the company have written expectations for suppliers that address their ESG status?	3	
X	4	Does the company require Fair Trade Certification as a condition of doing business with some of your suppliers, where applicable?	4	
X	5	Does the company actively seek to buy a defined % of purchases from woman-owned and minority-owned suppliers?	5	
X	5	Does the company require ESG compliance (as you define it) from your suppliers as a condition of doing business with your company?	5	
		<b>SUB-TOTAL</b>	20	100%
<b>People</b>				
	-5	Has the company ever been convicted/pled guilty/paid a fine(s) for EEOC violation(s)?	0	
	-2	Does the company have a history of labor unrest, job actions (lock-outs, slowdowns, etc.) or strikes?	0	
	-1	Has the company ever been sued for discrimination or unfair labor practices?	0	
X	1	Does the company employ women, minority and disabled workers?	1	
X	2	Does the company have a formal safety program with regular monthly or quarterly meetings and incentives for safety compliance?	2	
X	3	Does the company offer flexible working hours to all workers such as variable start/end times, 4day 10 hour shifts, etc.?	3	
X	3	Does the company require an annual career development & training plan for all employees funded by the company?	3	
X	3	Does the company measure and trend employee satisfaction through periodic surveys or other tools to identify and address issues?	0	
X	4	Does the company employ tools to continuously measure and trend employee satisfaction daily or weekly to identify and address issues?	4	
X	5	Does the company annually contribute 5% or more of profits to fund, sponsor or pay employees to volunteer for community nonprofits?	0	
X	5	Does the company offer diversity/equity/inclusion training to all employees?	0	
		<b>SUB-TOTAL</b>	13	50%
		<b>TOTAL SCORE</b>	173	85%



Sample output form:

			Opportunity Areas		
			Priority	Secondary	Strengths
<b><u>E - Environmental</u></b>					
Pollution	67%				X
Recycling	100%				X
<b><u>S - Social</u></b>					
Compensation & Benefits	96%				X
People	50%			X	
Suppliers	100%				X
<b><u>G - Governance</u></b>					
Communication	100%				X
Financials	69%				X
Governance	100%				X